

Overview

The Audit Report for the year ending March 2021 is divided into two volumes viz. Volume I and Volume II. The Audit Report consists of audit findings relating to compliance issues in respect of the Ministry of Railways and its various field units. The Volume II (Report No. 35 of 2022) of the Audit Report includes three Pan India paragraphs, two Long paragraphs and four individual paragraphs. A brief overview of the important audit findings and conclusions is given below:

Para 1.1 Sundry revenue in Indian Railways

The salient findings emerging from the review were as follows:

Despite introduction of *Nav Arjan* drive (2016-17) sundry earnings as percentage of receipts had declined from 4.85 in 2017-18 to 4.22 *per cent* in 2020-21. Also, None Fare Revenue (NFR) which was a small percentage of sundry earnings – declined from 2.35 *per cent* of sundry earnings in 2017-18 to 1.06 *per cent* of sundry earnings in 2020-21. As a percentage of receipts, NFR declined from 0.11 *per cent* in 2017-18 to 0.04 *per cent* in 2020-21. Thus, all the initiatives to enhance sundry earnings and NFR could not achieve the desired results. Indian Railways (IR) established a dedicated NFR Directorate with an aim to introduce and steer the initiatives for enhancement of non-fare revenues. However, through the years, IR kept diluting the scope of NFR Directorate by non-related activities. For implementation of policies, powers were arbitrarily delegated to ZRs at times and arbitrarily withdrawn from ZRs at other times, in various areas. Further, no inputs were taken from ZRs while formulating annual targets. Targets were just thrust upon ZRs without ascertaining the ground reality.

Even the drastically reduced revised estimates could not be achieved at the end of the years. From 2020-21, NFR Directorate initiated a good measure of compiling figures pertaining to NFR at division level for the various sub-items of NFR.

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Major Recommendations

Ministry of Railways may consider to:

- ***Delegate the power of decision making for executing the policies to the Zonal Railway Administration judiciously for their smooth implementation.***
- ***Fix realistic target for generating sundry earnings and monitor achievement of targets by the Zonal Railways.***

- ***Strengthen monitoring and internal control mechanism at apex level for successful implementation of policies besides monitoring realisation of outstanding dues.***
- ***Engage the final consultant itself and direct them to submit their report in a time bound manner which would save time, money and other resources.***
- ***Create widespread awareness about IR's NFR initiatives with a view to maximise the revenue potential.***
- ***Bring in Artificial Intelligence based sources of revenue from the huge database available in various systems available with IR.***

Para 2.1 Construction of Dimapur - Kohima New Line Project: Northeast Frontier Railway

With a view to develop Railway Network in Nagaland, a New Line Project to connect the State Capital Kohima with Dimapur (DMV) was sanctioned by Railway Board in 2006-07. However, the New Line Project was re-aligned between Dhansiri and Zubza near Kohima. The work on the project was started in the year 2016.

Pre-construction survey of the DMV-Kohima New Line Project was completed in 2011. Due to laxity of Railway Administration, Final Location Survey (FLS) of a major part of the Project (60 km.) had to be re-conducted, resulting in infructuous expenditure of ₹ 5.44 crore on the original Pre-construction survey work which had to be abandoned.

Audit noticed several major irregularities in the land acquisition process which led to irregular/infructuous expenditure of ₹ 141.70 crore during the period from 2015 to 2021. These included infructuous/ avoidable expenditure of ₹ 23.34 crore on account of compensation paid for acquisition/procurement of land which was of no use due to revision of the alignment, ₹ 79.70 crore towards acquisition of land made over tunnels, ₹ 12.97 crore on acquisition of excess land, additional compensation of ₹ 6.97 crore paid on account of re-classification/re-survey of acquired land just after two to three years of payment of compensation to the affected land owners and ₹ 18.72 crore paid to the State Government towards establishment charges.

A case of avoidable liability ₹ 879.05 crore was noticed where reluctance to adopt cost cutting measures coupled with excessive provision of facilities in cross-section designs of tunnels led to huge avoidable liability in construction of tunnels. In another case, reversal of decision regarding use of ballasted or ballast less track in tunnels led to avoidable expenditure. Irregularities were also noticed in provision of blanketing, where blanketing material was provided in excess of requirement which led irregular expenditure of ₹ 6.50

crore. It was also noticed that avoidable expenditure of ₹ 7.68 crore was incurred due to procurement of expensive Pakur Ballast instead of procuring local ballast at cheaper rates.

Though the Detailed Estimate for the New Line Project was sanctioned in 2015, progress of the Project was hampered due to initiation of a new FLS work which was completed in 2019. Progress of the Project was also hampered due to land disputes and delays in settling unjustified re-surveyed/reclassified claims. Extensions for completion of work were granted liberally resulting in delay in completion of works coupled with extra payment of ₹ 42.38 crore due to Price Variation. All these factors led to change in the target date for completion of the Project from March 2020 to March 2026.

The audit observations on land acquisition in this Report are few illustrative cases where serious irregularities were noticed. There is a likelihood that such errors of omission and commission, whether in this project or other projects may exist in many more cases. Railway Administration may thoroughly examine the remaining land acquisition cases to rule out existence of such irregularities.

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Major Recommendations

Ministry of Railways may consider:

- ***To ensure that the Pre-Construction Survey/Final Location Survey (FLS) Reports are critically analyzed to detect probable technical/construction lacunae and their comprehensive resolution prior to final acceptance. This would prevent delays affecting progress of the Project and infructuous expenditure on multiple Surveys.***
- ***To strengthen land acquisition mechanism in order to prevent wasteful/avoidable expenditure on account of unnecessary /irregular acquisition of land. Accountability for acquisition of land in violation of codal provisions may be fixed.***
- ***To allow payment of compensation in re-classification/re-survey cases only after proper Joint Verification of claims and provided they fell under the purview of relevant provisions of the Nagaland Land (Requisition & Acquisition) Act, 1965. The issue of irregular additional payment for Re-survey/Re-classification needs to be scrutinized thoroughly and accountability be fixed on concerned officials. It may be ensured that future cases of Re-survey/Re-classification are dealt as per land acquisition rules.***

- *To revisit the proposals related to cross-sections of Tunnels of DMV-Kohima New Line Project and also other upcoming Construction Projects to avoid unnecessary financial liability.*
- *To issue instructions for strict compliance of codal provisions/rules/orders and ensure timely approval of Designs & Drawings and handing over of sites to Contractors to avoid delay in completion of work and payment of Price Variation to Contractors.*

Para 2.2 Functioning of Special Purpose Vehicles of IRCON International Limited

The Company undertook two tollway projects of NHAI (Shivpuri Guna Tollway project and Bikaner Phalodi Tollway Project) on PPP mode and formed two SPVs to execute these projects. The two SPVs were ISGTL and IPBTL. These projects were assumed financially viable on the basis of a financial model. The NPV of the projects executed by ISGTL and IBPTL was worked out as positive in the financial model. Audit observed that assumptions in the financial model were not proper and realistic. Consequently, on the basis of audit observations, NPV of both the projects turned out to be negative. Thus, both the projects were observed to be unviable. It was seen that the profitability of both the SPVs after commencement of the operations had reduced. Thus, the financial results of the SPVs after commencement of their operations also corroborated the audit observations.

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Major Recommendations

The Company may consider:

Adopting more realistic assumptions in the financial models for such projects.

Para 3.1 Procurement and Utilization of Wagons in Indian Railways

In violation of the Codal provisions Zonal Railways did not participate in the assessment of requirement of wagons or send proposals or justification for acquisition of wagons to Railway Board. In absence of any input from the zones, RB kept on changing requirement of wagons. Available Wagon holding was more than the wagon requirement, as assessed in audit on the basis of Wagon Utilization norm (NTKM), throughout the review period. Supply of wagons by wagon manufacturers was not commensurate with allotment of wagons made by the Railway Board and there were huge delays in supply.

Rakes were cancelled by parties due to non-supply by Railway Administration resulting in loss of potential earnings. There were instances of detention of

rakes in the selected loading and unloading points/terminal yards which resulted in loss of wagon days and their earning capacity. In around 69 *per cent* wagons abnormal delay was noted in connecting the unconnected wagons resulting in loss of earning capacity of wagons for the time taken for connecting those wagons. Moreover, assistance of FOIS was not taken in all zones for connecting those unconnected wagons.

More than 3.30 lakh wagons constituting 41 *per cent* of total were passed locally (without NCO approval) after being repaired at workshops/terminal yards, compromising safety. Analysis of FOIS data for years i.e. 2016-17 to 2020-21 revealed that halt time was close to half of the total travel time and hence the average speed was also close to half of the average speed without halt time.

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Major Recommendations

Indian Railway needs to:

- ***Assess the requirement of wagons and place realistic demands accordingly.***
- ***Monitor production of wagons both by Railway's own workshop as well as private wagon suppliers so that wagons are timely supplied by wagon manufacturers.***
- ***Supply rakes to private parties timely for optimum utilisation of wagons.***
- ***Avoid detention of rakes at different levels like loading/unloading points and terminal yards.***
- ***Effectively utilize FOIS in connecting unconnected wagons.***
- ***Ensure running of trains with only valid BPC.***
- ***Take suitable measures to reduce detention for achieving target of speed of goods train.***

Para 3.2 Centralized import of rolling stock parts: Railway Board

Railway Board floated global tenders for the various parts required for production and maintenance of the Rolling Stocks by Production Units and Zonal Railways such as wheels, axles, etc. Audit noticed that in respect of six tenders finalized by the Railway Board during the period from 2016-17 to 2020-21, cost of wheels and axles consumed and destroyed in testing was included in the total supplies made to the Railways instead of supplying free of charge by the manufactures. This was in contravention to the provisions of the standard specifications of RDSO and led to loss to the tune of ₹ 5.88 crore.

In another case, placing orders for a specification of the axle other than

requirement of the end user resulted in procurement of additional 3,400 units of axles resulting into avoidable expenditure of ₹ 18.01 crore.

During the review of records pertaining to detention of Locos at Diesel Loco Shed/Hubli (UBL) and Diesel Loco Shed/Krishnarajapuram (KJM), it was noticed that in South Western Railway (SWR), 27 Locos were detained for want of Imported Spare Parts during the period from 2016-17 to 2021-22. However, 14 instances of detentions of locos out of 27 instances pertained to Covid-19 pandemic period. Thus, stabling of locomotives (excluding the instances due to COVID-19) led to the loss of earning capacity to an extent of ₹ 8.34 crore.

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Major Recommendations

MoR need to ensure that:

- ***The material required for testing are supplied free of charge by the manufacturer in compliance to RDSO's guidelines.***
- ***Placing orders for a specification of the axle other than requirement of the end user should be avoided***
- ***Stabling of locomotives should be avoided for want of spares.***

Para 4.1 Unplanned construction of Goods shed: Southern Railway

Southern Railway Administration created a Goods Shed at Nilambur Road costing ₹ 5.12 crore without assessing the incoming and outgoing traffic. Audit noted that there was insignificant traffic at the Goods Shed since its commissioning in February 2016.

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Major Recommendations

MoR need to ensure feasibility study before taking up any project particularly with reference to revenue and potential traffic.

Para 4.2 Avoidable contractual liability due to arbitrary offloading of a portion of work from an ongoing contract: East Coast Railway

East Coast Railway Administration in violation of the General Conditions of contract offloaded 20 *per cent* of work from a contract for earthwork in formation, Minor Bridges and other miscellaneous works in the Sambalpur-Talcher doubling project. This has resulted in avoidable contractual liability of ₹ 7.09 crore.

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Major Recommendations

MoR need to ensure proper offloading of an ongoing work strictly as per the General Conditions of Contract.

Para 4.3 Irregular expenditure from Extra Budgetary Resources (Institutional Finance): Northeast Frontier Railway

Northeast Frontier Railway incurred irregular expenditure of ₹ 12.13 crore from Extra Budgetary Resources (Institutional Finance) earmarked for a Doubling Project on Land Development of other Projects, environment-related works and a Golf Course, specifically excluded from the purview of the Fund.

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Major Recommendations

MoR need to ensure that extra budgetary resources (Institutional Finance) earmarked for a particular project should not be used for other work.

Para 4.4 Non-realization of Minimum Annual Guaranteed Payment for land allotted to Rail Land Development Authority for construction of Multi-functional complex at Madurai: Southern Railway

Under the policy of leasing vacant railway land for commercial use, Southern Railway (SR) allotted land at Madurai railway station to Rail Land Development Authority (RLDA) for construction of a Multi-Functional Complex. SR Administration in contravention to Ministry of Railway's instructions failed to realize Minimum Annual Guaranteed Payment of ₹ 8.65 crore from RLDA for the period July 2013 to March 2020.

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Major Recommendations

- ***Zonal Railways need to implement MoR's directives regarding revision of land leasing charges periodically.***
- ***Responsibility needs to be fixed for non-realization of the said amount and non-compliance to the agreements/orders of MoR.***
- ***Recovery notice in this regard to be issued.***